

Territorial Highway Fund FY 2004 Financial Highlights

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Deloitte & Touche, LLP conducted the FY 2004 financial audit of the Territorial Highway Fund (THF), which is over three months past due of the June 30th deadline. Total revenues continued to decline from \$18.5 million in 2001, \$15.5 million in 2002, \$14.8 million in 2003, and down to \$14 million in 2004. In FY 2004, the THF received \$583,000 from the U.S. Department of Transportation for reimbursement of Public Transit expenditure. Interest income (use of money and property) also declined by 79%, going from \$1 million to \$219,000, contributing to the drop in revenues.

The decline in revenues was offset by a drop in expenditures of \$1.3 million, going from \$17.3 million in FY 2003 to \$16 million in FY 2004. Expenditures were \$6.3 million for general and administrative expenditures, of which \$3 million went to salaries, wages, and benefits of the Department of Public Works Maintenance Division and \$2.1 million for power; \$6 million for debt service; and \$2.6 million to the Guam Mass Transit Authority for their fiscal year operations.

In accordance with P.L. 23-128, fifty percent of all monies in the Surplus Fund of the Highway Bonds are to be paid to the Village Streets Fund. For FY 2004, \$519,000 was transferred to the Village Streets Fund. Another annual payment required by law is \$500,000 to the University of Guam Capital Improvements Fund for debt service incurred for the design, construction, and collateral equipment of the College of Business and Public Administration of the University, and for the replacement of the Fine Arts College roof.

In 2001, a liability of \$9.5 million to Guam Power Authority (GPA) was recorded for power for streetlights. However, there have been no appropriations to pay GPA and the Attorney General is now reviewing the legitimacy of the liability.

In FY 2004, a settlement was entered into in favor of a plaintiff for \$6.6 million that resulted in a gain from tax drawback settlement of \$5.9 million. Despite the gain, the THF still has a cumulative deficit of \$11.6 million, the majority of which stems from the \$9.5 million liability to GPA.

The Capital Projects Fund has over \$24 million in cash and cash equivalents awaiting the implementation of capital improvement highway projects. This amount has been available for several years awaiting appropriation by the Legislature (the FY 2006 Budget Bill appropriates \$24 million for various "Island-wide Capital Improvement Road Projects").

There were four findings compared to three findings in FY 2003. One repeat finding pertained to contract retention liabilities that were not updated in a timely matter and included transactions dating as far back as 1991. Another finding found that receivables were not adjusted for collections received thirty days after fiscal year end. The third finding showed that the Tax drawbacks account lacked reconciliation, and as a result, was overstated by \$6.1 million. The fourth finding was for outstanding power charges of \$2.7 million that were not recorded.